ASCS BACKGROUND INFORMATION

Agricultural Stabilization and Conservation Service
U. S. Department of Agriculture

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PRICE SUPPORT AND OTHER LOAN, PURCHASE AND PAYMENT PROGRAMS

LEGISLATIVE AUTHORITIES

Price stabilization and support operations for specified commodities were first authorized by the Agricultural Adjustment Acts of 1933 and 1938; with loan programs initiated in the Fall of 1933 when the Commodity Credit Corporation (CCC) was created.

Current price support and other loan, purchase, and payment programs are carried out under authority of CCC's Charter Act, as amended; the Agricultural Adjustment Act of 1938, as amended; the Agricultural Act of 1949, as amended; the Sugar Act of 1948, as amended; the National Wool Act of 1954, as amended; the Agricultural Act of 1970, as amended, and the Agriculture and Consumer Protection Act of 1973, as amended.

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In conjunction with these programs, production adjustment programs (utilizing marketing quotas, acreage allotments, and, when applicable, cropland set-aside or diverted acreage provisions for specified commodities) are authorized by the Agricultural Adjustment Act of 1938, as amended, the Agricultural Act of 1970, as amended, and the Agriculture and Consumer Protection Act of 1973, as amended.

Export programs are carried out primarily under authority of the CCC Charter Act; the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480); and section 32 of Public Law No. 320, 74th Congress.

COMMODITIES SUPPORTED

CCC makes loans, purchases and payments available on agricultural commodities to eligible producers.

Basic Commodities - The Agricultural Act of 1949, as amended, makes mandatory price support for extra long staple cotton, peanuts, rice and tobacco, loans and purchases for corn and wheat, loans for upland cotton, and payments (under certain conditions) for corn, wheat, and upland cotton.

Nonbasic Commodities - The 1949 Act, as amended, also requires price support for designated nonbasic commodities -- tung nuts, honey, milk, barley, oats, rye, and grain sorghums.

Target Prices and Payments - Under the terms of the 1973 Act, payments to producers of wheat, feed grains (corn, grain sorghum, and, if designated by the Secretary, barley), and upland cotton will not be made unless the average market price received by producers for the commodity during the first five months of the marketing year - or in the case of cotton, during the calendar year in which the crop is planted - goes below the target price. If this occurs, the payment will be made at a rate equal to the difference between the target price and the higher of such average market price or the loan level.

The National Wool Act of 1954, as amended and extended, requires price support for wool and mohair. (See Page 22 for program details.)

Price support for other nonbasic commodities is discretionary, with the Secretary authorized by the Congress to announce a commodity program, if he deems it necessary under statutory authority, and under terms and conditions that he determines applicable under legislative provisions.

The Sugar Act of 1948, as amended and extended, provides for conditional payments to producers of sugarcane and sugarbeets. (See Page 22 for details.)

The Corporation also may carry out operations to remove and dispose of surplus agricultural commodities in order to stabilize prices at levels not in excess of those permissable by law.

SUPPORT DETERMINATION

Except as otherwise provided by statute, the Secretary determines or approves the amounts, terms, and conditions of price support operations.

Eight factors set forth in section 401(b), title IV of the Agricultural Act of 1949 are taken into consideration in determining, in the case of any commodity for which price support is discretionary, (1) whether a price support operation is undertaken, and (2) the level of support.

For many of those commodities for which price support is mandatory, these same factors are considered to determine the level of support above the minimum set forth by law.

These factors are as follows:

1. the supply of the commodity in relation to the demand;
2. the price levels at which other commodities are being supported and in the case of feed grains, the feed values of each grain in relation to corn;
3. the availability of funds;
4. the perishability of the commodity;
5. the importance of the commodity to agriculture and the national economy;
6. the ability to dispose of stocks acquired through a price support operation;
7. the need to offset temporary losses of export markets; and
8. the ability and willingness of producers to keep supplies in line with demand.

SUPPORT LEVEL

For many commodities, the Congress has either established a specific parity level at which, or a range within which, loan, purchase and payment rates must be set.

The parity price for an agricultural commodity is the dollars-and-cents price, determined by formula, that will give such commodity the same buying or purchasing power, in terms of goods and services bought by farmers and certain costs of their farming operations, that such commodity had in the 1910-14 base period, with an adjustment based on the commodity's most recent 10 year average farm price divided by the ratio of the general level of prices for all farm commodities during such 10 year period to the general level of prices received for all commodities during the 1910-14 base period.

The parity price of a commodity is a general or overall standard. It applies to the average of the various locations, grades, qualities and classes of the commodity as sold by all farmers. The formula for computing parity prices is set forth in section 301(a) of the Agricultural Adjustment Act of 1938, as amended.

The Congress has established specific formulae for the computation of the loan rate for upland cotton of the 1974-77 crops and has set specific support prices for wool and mohair for the 1974-77 marketing years.

Insofar as practicable, the Secretary announces each year the loan or purchase level (or both) for each program long enough before the planting or marketing season of each commodity to permit the producer to plan and gear his farm operations to appropriate programs. A separate level is determined for each commodity each marketing year, unless the level is specified by law.

The announced levels may generally be raised, but not lowered, during the marketing year or season.

Most announced loan or purchase levels are national averages, representing the average of all classes and grades of the commodity produced for market by all farmers.

National average loan and purchase rates are converted into specific support prices for grades and qualities at specific locations. These prices are set forth in schedules for the particular commodity.

Premiums and discounts are established for qualities other than the base quality. These are added to or subtracted from (as appropriate) the basic level at each location.

By using this schedule, every farmer (regardless of where he is located)can determine the loan or purchase rates for the quality of the commodity he produces.

MARKETING YEARS

The following are marketing year (beginning and ending) dates for selected commodities.

Commodity	Date
Feed Grains	
Corn	October 1 - September 30
Grain Sorghum	October 1 - September 30
Barley	July 1 - June 30
Oats	July 1 - June 30
Food Grains	
Wheat	July 1 - June 30
Rye	July 1 - June 30
Rice	August 1 - July 31
Oilseeds and Oils	
Flaxseed	July 1 - June 30
Cottonseed	August 1 - July 31
Soybeans	September 1 - August 31
Tung Nuts	November 1 - October 31
Fibers	
Wool-mohair	January 1 - December 31
Cotton, upland	August 1 - July 31
Cotton, ELS	August 1 - July 31

MARKETING YEARS

Commodity	Date
Miscellaneous	
Milk, mfg.	April 1 - March 31
Honey	April 1 - March 31
Gum Naval Stores	April 1 - March 31
Tobacco, Flue-Cured	July 1 - June 30
Tobacco, Others	October 1 - September 30
Peanuts	August 1 - July 31
Dry Edible Beans	September 1 - August 31

SUPPORT ELIGIBILITY

In order to be eligible to participate in a program, a producer must comply with the requirements of the applicable legislation and such additional terms and conditions as may be established by the Secretary as a condition of eligibility.

LOAN, PURCHASE, AND PAYMENT LEVELS

Specific provisions for loans, purchases and payments on a number of commodities are contained in the Agriculture and Consumer Protection Act of 1973 (See Page 16). The following levels or ranges for loans, purchases, and payments on other commodities are authorized by the Agricultural Act of 1949, as amended.

In general, unless otherwise stated, the annual national average level determined and announced within the ranges cited for the commodities is based upon the eight factors set forth in section 401(b) of the 1949 Act (See Above).

Extra-long staple cotton (ELS): If marketing quotas are approved by ELS producers, the loan level is to be not less than 50 percent or more than 100 percent in excess of the loan level established for Middling one-inch upland cotton at average location (but not less than 35 cents per pound). In addition, payments are to be available at a rate which, together with the loan level, is not less than 65 percent or more than 90 percent of the parity price for ELS cotton as of the month in which the payment rate is announced. If marketing quotas are disapproved, the support level drops to 50 percent of parity, with no payments available.

Tobacco: For those years in which marketing quotas have not been disapproved, the support level is determined by adjusting the 1959 support level upward or downward in proportion to changes in the parity index (prices paid by farmers, including interest, taxes, and wage rates), comparing the 1959 index with the most recent preceding 3-year moving average. If marketing quotas are disapproved by tobacco producers, no program is available.

Rice: The minimum support level is 65 percent of parity and the maximum is 90 percent. If marketing quotas are disapproved, the level is 50 percent of parity.

Peanuts: If marketing quotas have not been disapproved, the support level range is from 75 to 90 percent of parity. The minimum level within this range depends on the level of supply (the supply percentage) at the beginning of the marketing year, in accordance with the schedule in section 101(b) of the Agricultural Act of 1949.

Four steps are taken in determining the minimum level: (1) computing the estimated total supply (allowing for the effects of any control programs such as marketing quotas and acreage allotment); (2) computing the normal supply; (3) dividing the total supply by the normal supply to determine the supply percentage, and (4) referring to the schedule in section 101(b) of the 1949 Act for the minimum level applicable to the supply percentage so determined.

If marketing quotas have been disapproved, the support level drops to 50 percent of parity.

Honey: The support level may be not less than 60 percent nor more than 90 percent of parity.

Tung Nuts: The support level may be not less than 60 percent nor more than 90 percent of parity. However, in any crop year in which the Secretary determines that the domestic production of tung oil will be less than the anticipated domestic demand, the support level is to be not less than 65 percent of the parity price.

Other nonbasic commodities: The level of support for other nonbasic commodities may not be more than 90 percent of parity. The Secretary takes into consideration the factors in section 401(b) of the 1949 Act, as amended, to determine whether a program operation should be undertaken and the level of support.

In 1974, programs were in effect for flaxseed, soybeans, dry edible beans, and gum naval stores.

SUPPORT METHODS

The principal methods of the Corporation to provide support are, singly or in combination, loans, purchases, and payments.

Support operations are usually conducted for CCC by the Agricultural Stabilization and Conservation Service (ASCS), which carries out much of its work through State, county and community farmer committees, county ASC offices, and two commodity offices located in Prairie Village, Kansas, and Minneapolis, Minn.

Loans: Commodity loans are made directly to eligible farmers through county ASC offices or are made to approved agricultural cooperative marketing associations, or both, on the security of the stored commodities. Approved storage may be storage structures on the farm or off the farm, or country or terminal warehouses.

With limited exceptions, commodity loans are nonrecourse. The commodities serve as collateral for the loan, and on maturity the producer or association may generally deliver or forfeit the pledged commodity to satisfy the loan obligation without further payment.

The loan technique has been used extensively in commodity programs for cotton, tobacco, soybeans, flaxseed, peanuts, dry edible beans, honey, tung nuts (loans on oil), gum naval stores (loans on rosin), and the grains -- corn, grain sorghum, barley, oats, wheat, rye and rice.

If a loan is made directly to a farmer, the farmer may repay the loan, plus accrued interest (7.25 percent per annum effective with the 1974 crop) computed on a daily basis, at any time prior to loan maturity.

(Interest rates are reviewed by the Corporation each six months for the CCC loan program, with the goal of keeping the rate of interest charged to producers in line with CCC borrowing costs from the U.S. Treasury.)

Service fees on farm stored loans for grain and seed cotton loans are $10 per loan, plus $1 for each additional bin over one in the case of grain, plus $1 for each additional rick over one in the case of seed cotton.

Fees for processing cotton loans to producers, when prepared by cotton loan clerks, are $1 per loan plus 10 cents per bale for scannable documents (documents which can be read by data processing equipment), and $1.50 per loan plus 25 cents per bale for non-scannable documents.

Fees for cotton loan documents prepared by county offices are $1.50 per loan plus 25 cents per bale.

If the farmer chooses not to repay a loan, he delivers the commodity to CCC if it is farm-stored, or CCC takes title to the commodity if it is in warehouse storage, and ordinarily the loan, including interest, is satisfied. It is in this way that CCC has acquired most of its inventories of commodities.

Loans on tobacco, peanuts, gum naval stores (rosin), cotton, soybeans, dry edible beans, honey and rice are also made available through producer associations or cooperatives. The collateral of all producers is pooled. The association or cooperative markets the commodity held as collateral and repays the amount due CCC in some cases, and remits the sales proceeds to apply on the loan in other cases. If the sales by the association or cooperative return a profit over advances to growers, charges and interest, it may be returned to the growers as a partonage dividend.

Loans are usually available to producers for about 8 to 10 months following harvest. Depending on the commodity, most loans mature initially 1 to 3 months following the end of loan availability. In the case of peanuts, tobacco, and naval stores, loans mature on demand. For cotton, loans mature 10 months from the first of the month in which the loan is made.

Depending on the commodity, storage may be in country or terminal warehouses, or in other storage structures on or off the farm.

RESEAL LOANS: As necessary, CCC has offered "reseal" privileges for certain commodities stored on the farm. The term "reseal" means extension of a commodity program loan and is derived from the fact that farm-stored collateral for such loans is put under seal. Resealing has enable farmers to extend their loans beyond the initial loan maturity date. This program has been used as an aid to orderly marketing. It is especially useful when production exceeds utilization or when market prices are weak.

Loan extensions are granted when determined necessary, on grain in commercial storage. Extension of the reseal program to commercial storage facilities gives more farmers an opportunity to plan long-range marketing and avoid lower prices during times when markets are overloaded.

When a program is in effect, annual public announcements are made of the commodities and crops which would be eligible for reseal during the next reseal year. Each year farmers may obtain reseal loans on commodities which are under regular program loans, if a reseal program is offered for such commodities and his commodity is in good condition.

Storage costs accruing during the reseal period are paid by CCC. These payments are made to farmers who provide farm storage, and to warehousemen on extended warehouse storage loans.

State ASC committees determine whether an on-farm reseal program for commodities eligible for reseal will be available in their States, or in areas of the State where a commodity can be safely stored on the farm and the program is advantageous to producers and CCC.

Farmers continue to have the option of redeeming their commodities under reseal loan.

COMMODITY LOAN BENEFITS: While the loan program does not guarantee the participating farmer a profit, it does offer definite safeguards and advantages if his commodity is eligible for loan.

The loan program gives farmers an opportunity to obtain cash and hold their crops for later sale. In practice, if the producer cannot profitably pay off his loan and sell the commodity, the loan may be satisfied in full by letting CCC take over the commodity.

The loan program tends to even out marketings. In order to meet operating costs, farmers would otherwise be inclined to market their crops at harvest time. This sometimes makes market gluts, undue burdening of the transportation system, and lower prices. Price swings and transportation bottlenecks are minimized to a great extent by spreading commodity marketing over the season.

The loan program gives producers a chance to exercise greater independence in their marketing operations and to benefit from price increases that often come later in the season after harvest.

LOAN METHODS BY COMMODITIES

Feed Grains, Wheat, Rice Soybeans, Flaxseed, Tung Oil, Dry Edible Beans, Honey: For these commodities, the farmer usually applies to the ASC county office for a loan.

A member of the county office staff checks to assure eligibility (compliance with program provisions) and the eligibility of the commodity.

The farmer who has his commodity in farm storage signs a promissory note, chattel mortgage, and security agreement and receives his loan through the county office. The farm cribs or bins are certified that they provide safe storage.

In those cases where the commodity is stored by the farmer in an approved public storage facility, the farmer receives a warehouse receipt from the facility. This is presented at the county office as security for the loan. For commodities stored in warehouses, a deduction for storage charges for the loan period is made from the loan proceeds if the farmer has not prepaid these charges.

The county ASC office disburses the loan by issuing the farmer a draft drawn on CCC.

For support on dry edible beans, honey, rice, and soybeans, a producer may deliver his commodity to an approved cooperative marketing association (for pool loans), and the association may place the commodity under loan.

Tobacco: Farmers receive advances for tobacco at a level established by CCC through their own associations, which pledge the tobacco to CCC.

Producers may obtain advances on tobacco through one of the 13 producer associations in the continental United States and Puerto Rice. The associations, under contract with CCC, handle all operations connected with making advances to producers on tobacco and processing and storing the tobacco.

These operations of the associations are financed by nonrecourse loans to the associations by CCC through banks acting as servicing agents for CCC. The funds made available are used to make the advances to producers (generally through auction warehouses) and to reimburse carriers, redrying plants, and storage warehouses for services performed for the associations.

Administrative expenses of the associations also are financed by the CCC loans to the extent that the service charges collected from producers fail to cover all expenses. Expense budgets are subject to approval by CCC.

In areas where tobacco is sold at auction, the producer delivers his tobacco to an auction warehouse. There it is weighed, identified by a warehouse sales ticket, and displayed in lots, (baskets, sheets, or piles), on the auction floor. A Government tobacco inspector grades the tobacco in each lot and marks the grade on the warehouse sales ticket.

At the time of sale the tobacco is auctioned to the highest bidder, except that if the high bid for any particular lot does not exceed the advance level, as published for that grade, that lot is consigned to the association, provided the producer and tobacco are eligible under the program.

After the sale is completed, the auction warehouseman pays the producer for his tobacco, including that consigned to the association. The farmer is also given a participating record covering the quantity and value of the tobacco that went under loan.

The loan tobacco accumulated by the association is trucked to the plant of a redrier or a packer under contract with the association. The tobacco, segregated by grade, is run through a redrying machine and packed in hogsheads.

The redrier or the packer sends a report to the association showing the quantity of loan tobacco received from each auction warehouse. The association matches the redrier's or packer's report with the warehouseman's billing and draws a check to the warehouseman.

The redrier or packer transports the packed hogshead to a storage warehouse where nonnegotiable warehouse receipts are issued in favor of CCC.

Over a period of time, the tobacco placed under loan by the association is marketed by the association on the basis of prices proposed by the association and approved by CCC. When all the tobacco is sold, proceeds in excess of the loan, if any, are required to be distributed by the association in cash to the producers or, if approved by CCC, may be used otherwise for the benefit of the producers. The Corporation retains the right to call the loans at any time upon demand.

The procedure for obtaining the advances on cigar leaf tobacco is substantially the same as for other kinds except that cigar leaf tobacco is not sold at auction. The producer delivers his tobacco to a warehouse or assembly point maintained by the association and receives an advance on the basis of a Government grade.

Advances are not available on tobacco of the kinds for which marketing quotas have been disapproved by more than one-third of the producers voting in referendum. Such disapprovals have traditionally excluded advances being made on Pennsylvania cigar-filler, type 41, and have excluded advances on Maryland tobacco, type 32 subsequent to the 1965 crop year.

Except for flue-cured and burley tobacco, the farm marketing quota is the quantity produced on the acreage allotment for each farm.

For flue-cured tobacco, an acreage-poundage program was initiated in 1965. Under this program, a farm's marketing quota is the number of the pounds representing the farm's pro rata share of the quantity of marketings determined to be needed during the year. A farm's acreage allotment is the farm's pro rata share of the acreage determined desirable to produce the quota for all farms.

If the acreage allotment is exceeded, the tobacco produced on the farm is ineligible for advances. If marketings exceed 110 percent of the marketing quota, penalties are collected, and all such excess marketings are ineligible for advances.

In a referendum held July 17, 1973, the program was approved for the 1974-76 crop years.

For burley tobacco, a poundage program was authorized by legislation approved in 1971. Under this program, a farm's marketing quota is also the pounds representing the farm's pro rata share of the quantity of marketings determined to be needed during the year. There are no restrictions on the acres used for production or on the quantity produced. However, marketings in excess of 110 percent of a farm's quota is subject to penalties and ineligible for advances.

Producers approved the program in a referendum on May 4, 1971, for the three crop years 1971-73 and approved the program for the 1974-76 crop years in a referendum held on February 25 - March 1, 1974.

Pricing policies of the associations, with approval of CCC are designed:

1. To be in the best interest of the growers.
2. To minimize loss to the Government.
3. To protect stocks on hand from damage and deterioration.
4. To avoid undue disruption of the marketing of current crops.
5. To maintain stability in both domestic and foreign markets.

Cotton, upland and extra long staple: To obtain a loan, an eligible producer first has his cotton classed by a board of cotton examiners of USDA (on the basis of a sample drawn from the bale and sent in to the board). The board, after establishing grade, staple length, and micronaire reading, sends the producer a form indicating the class. The producer delivers his bales of ginned fiber (lint cotton) to a warehouse approved by CCC and obtains a warehouse receipt.

After the official classification and warehouse receipt are received by the producer or his representative, the producer may obtain a loan. Loan documents, except for loans made through approved cooperative marketing associations, may be prepared by ASCS county office personnel or by CCC-approved loan clerks located in banks, offices of cotton buyers, cotton gins, warehouses, and other locations as necessary for the convenience of producers. Loans are disbursed by use of CCC drafts by the county office which keeps the farm records for the farm on which the cotton was produced.

Under a special procedure, an advance to the producer (full amount of the loan, less authorized deductions) may be made by any firm, individual, or other entity, which obtains credit at a financial institution for the amounts advanced. The financial institutions receive a draft from CCC for the loan proceeds, on which interest is payable by CCC from the date of investment of funds.

In keeping with cotton trade practices, loans are reduced by the amount of any warehouse receiving charges due on the cotton if such charges have not been prepaid. In cases where the receiving charges have not been prepaid and the cotton is not redeemed from loan, CCC pays the receiving charges directly to the warehouse when the warehouse storage charges are paid. Loans are reduced also if warehouse receipts show more than 60 days accrued charges due on the cotton.

Loan documents covering loans to producers, including warehouse receipts and class cards, are retained in the county offices until maturity of the loans.

Document availability at the county level facilitates and expedites the redemption of cotton stocks under loan. Cotton merchants can determine readily from the documents not only the identity of producers who have cotton under loan, but also the quantity and quality of the cotton. However, it is not necessary for a person redeeming cotton to visit the county office.

Producer-members of a cotton cooperative marketing association may obtain advances from the association on eligible cotton delivered for marketing. The Association may then tender to CCC documents representing such cotton and receive a nonrecourse loan on the cotton from CCC.

Peanuts: CCC makes price support available to peanut producers primarily through nonrecourse warehouse storage loans to the three peanut grower associations which serve the producing areas. The associations operate under loan and handling agreements with CCC, pursuant to which they contract with warehousemen to receive, handle, and store collateral peanuts and to issue warehouse receipts to CCC and drafts to growers.

The producer delivers his peanuts to a warehouse having a storage contract with a grower cooperative association. The producer appoints the association his agent to handle and market his peanuts and to pledge them to CCC as security for a loan to the association. The producer's right to redeem or obtain possession of the peanuts ceases at the time they are loaded into the warehouse.

The warehouseman, as agent of the association, prepares a draft in favor of the producer for the price-support value of the peanuts. The draft, drawn on the association, may be cashed at any commercial bank. As the drafts are paid for the association's account, CCC lends to the association amounts equal to the drafts. The loan is secured by warehouse receipts representing the peanuts received by the association from producers.

The association may withdraw individual lots of peanuts from the loan or redeem all of the peanuts from the loan for sale for domestic edible use. Loan collateral peanuts are sold for edible use by the associations in accordance with a minimum sales policy approved by CCC. The sales policy provides for minimum prices based on the amount of the loan on the peanuts -- plus interest, handling and storage charges, other costs, and a percentage markup depending on the time of the sale.

The grower obtaining price support through the association shares on a pro rata basis in the net profit, if any, the association earns from its sales of collateral peanuts for edible use.

Loan peanuts are also sold by CCC for the association's account on a competitive bid basis for crushing into oil and meal and for export.

Loans are also available to producers on farm-stored peanuts through ASC county offices. However, only a small number of growers obtain this type of loan. After the county office determines that the producer is eligible for the loan program and that the storage facility meets CCC's requirements, the county office prepares the necessary loan documents. As in the case of grain loans, the producer obtains his peanut loan from the county office. The producer may deliver the peanuts to CCC upon maturity of the loan, or he may redeem the peanuts by repaying the amount of the loan plus interest. In recent years most of the farm-stored peanuts have been redeemed by the grower, presumably for seed purposes.

Gum Naval Stores: CCC makes advances available to producers of gum naval stores through a nonrecourse loan to the American Turpentine Farmers Association (ATFA), Valdosta, Georgia. Under loan agreement with CCC, ATFA makes the advances to its eligible producers on eligible rosin or the rosin content in crude pine gum.

All U.S. producers of crude pin gum are eligible for membership in ATFA upon application and payment of an initial membership fee of $1; any further membership dues are voted on in annual convention. In 1972, ATFA membership comprised almost 85 percent of domestic producers, representing more than 95 percent of pine gum production.

The loan made to ATFA covers advances to producers, administrative and operating expenses, and storage charges on the pledged collateral. The loan has no fixed maturity date but is payable on demand. Generally, ATFA redeems the collateral and sells it from redemption pools. For certain years' collateral, ATFA has been given the right to sell without redemption, provided all the proceeds are paid to CCC.

ATFA may sell its redeemed collateral stock at or above redemption cost. Redemption costs are determined by CCC. These include the following factors: face value of the loan, storage costs, ATFA administrative expenses, and interest.

Any amount remaining over redemption costs that is realized from sales by ATFA is returned to participating producers on an equitable basis, as determined by ATFA and approved by CCC.

Usually the producer delivers his oleoresin to an approved processing plant-warehouse facility where it is inspected and graded. The producer determines the quantity, if any, he wants to sell outright to the warehouseman.

On the remainder, the producer executes a producer's offer which tenders the rosin or rosin content to ATFA for the loan program. Payment on this quantity is usually advanced by the warehouseman, who deducts the inspection fee, initial storage costs, and processing fees (including the cost of rosin drums).

Warehousemen summarize the various producer offers periodically, make certification as to quantity and grade, and transmit the offers to ATFA, which checks eligibility. ATFA, in turn, consolidates the certifications and producer offers from various warehouses and transmits to CCC a request for loan funds to cover the advances. These funds are then distributed by ATFA to eligible producers or those warehousemen who advanced the funds to producers.

Tung Nuts (oil): Program operations are carried out through loans on oil because of the relatively high perishability of tung nuts.

Producers deliver their tung nuts to a crushing mill where the oil is extracted on a custom basis, with the grower retaining title to the oil. Producers receive warehouse receipts for the oil, which generally is stored in tanks at the crushing mill.

The warehouse receipts serve as collateral for loans made directly by CCC through ASC county offices.

The loan program is carried out in the producing areas of Alabama, Florida, Georgia, Louisiana, Mississippi, and Texas.

Loans are payable on demand, without a fixed maturity date. Producers pay a service charge of 6 cents per hundredweight on all oil pledged and not redeemed by October 31 of the end of the marketing year the loan was made.

Price support for tung nuts will be permissive, at the discretion of the Secretary, after the 1976 crop year (P.L. 93-225, enacted December 29, 1973).

PURCHASES: In its program operations, CCC acquires by purchase some commodities as authorized or required by applicable legislation. Commodities and processed products are acquired primarily under purchase agreements, and perishable or processed commodities are acquired by direct purchase.

Purchase Agreements: Subject to the terms and conditions set forth for the particular commodity program, a producer may apply at the ASC county office for the option of selling to CCC an approximate quantity of his eligible commodity at the applicable settlement value as established by regulation.

CCC will purchase, at settlement value, the quantity of the commodity the producer elects to sell, up to that quantity eligible under the program on the basis of weight, grade and quality factors established for the commodity if the producer:

1. Declares his intention not later than the date specified by regulation;
2. In the case of a commodity stored in an approved warehouse, submits to the ASC county committee, during a period specified by CCC, warehouse receipts representing the eligible quantity he elects to sell to CCC;
3. In the case of a commodity in storage in other than approved warehouse storage, makes delivery within the specified period immediately following the date the county committee issues delivery instructions, unless the county committee determines that more time is needed for delivery, and
4. If the producer is an eligible producer and the commodity delivered by him is eligible for sale to CCC under the program regulation.

Included in the commodities that purchase agreements are applicable to in 1974 are grains, dry edible beans, flaxseed, soybeans and honey.

Direct Purchases: For milk, the Agriculture and Consumer Protection Act of 1973 directs that the program shall be carried out through purchases of milk and the products of milk. (See Page 21)

A direct purchase program for flaxseed is carried out in designated Texas counties where flaxseed normally can be stored only for a relatively short time.

PAYMENTS: The Agriculture and Consumer Protection Act of 1973 continued provisions of the Agricultural Act of 1970, which amended the Agricultural Act of 1949 and the Agricultural Adjustment Act of 1938. The statute provides for a cropland set-aside, if needed, for participating producers in the voluntary upland cotton, wheat and feed grain programs, with set-aside program payments established for program participants (See below).

The 1973 Act continued authority for payments for wool and mohair (See page 22).

Under the Sugar Act of 1948, as amended and extended, conditional payments are made to producers of sugarcane and sugarbeets (See page 22).

The Agriculture and Consumer Protection Act of 1973

This Act, which amended the Agricultural Act of 1970 and was signed into law on August 10, 1973, includes the following provisions:

-- The total payments a person can receive under one or more of the wheat, feed grain or upland cotton programs (combined) for the 1974 through 1977 crops shall not exceed $20,000. This limitation does not apply to CCC purchases or commodity loans available to eligible program participants or any part of any payment which represents compensation for resource adjustments or public access for recreation. The feed grains affected are corn, grain sorghum and, if designated by the Secretary, barley.

-- The authority is continued through the 1977 crop years for the Secretary to establish cropland set-aside (and additional diverted acreage) if he determines that these provisions are deemed necessary for the wheat, feed grain or upland cotton programs. The Secretary suspended for the life of the Act the conserving base requirement for participants in the programs.

-- Established, or "target," prices were initiated in the Act for wheat, feed grains and upland cotton, with payments to eligible producers, based on alloted acres, to be made under specified conditions.

No payment will be made as long as the average market price received by producers during the first five months of the marketing year -- or in the case of upland cotton, during the calendar year in which the crop is planted -- remains at or above the target level.

If the average market price for the stated period drops below the target level, a payment on the allotment (for cotton, the acreage planted within the allotment) will be made to eligible producers equal to the difference between the target price and the higher of the loan level or the average market price.

The target prices for 1974 and 1975 were set in the Act at 38 cents per pound for upland cotton, $2.05 per bushel for wheat, and $1.38 per bushel for corn -- with reasonable rates to be set for grain sorghum (and barley, if designated) in relation to the rate for corn.

Target prices for the 1976 and 1977 crop years would be set by taking an established price for each year, and increasing or decreasing it to reflect changes in prices paid by producers as shown by an index of production costs (production items, interest, taxes, and farm wage rates) published by the Department and productivity. Productivity is measured by comparing the most recent national 3-year average for each crop with the 3-year average ending with the preceding year.

-- The Act also authorized "disaster" payments. If an eligible producer of wheat or feed grains is prevented from planting any portion of his allotment to wheat, feed grains or other nonconserving crop or an eligible producer of cotton is prevented from planting any portion of his allotment to cotton because of drought, flood, or other natural disaster, or condition beyond his control, the payment rate for that portion will be the larger of the regular calculated rate or one-third of the target price.

And if, because of the same circumstances, the total quantity of the commodity (or authorized substituted crop) harvested on the farm is substantially less than the "expected production" because of a natural disaster, the payment rate for the deficiency in production below 100 percent will be the larger of the regular calculated rate or one-third of the target price. ("Expected production" is the farm payment yield multiplied by the farm acreage allotment for the grains and the farm base acreage allotment for cotton.)

-- Provision was made to establish a disaster reserve of inventories not to exceed 75 million bushels of wheat, feed grains and soybeans to alleviate distress caused by a natural disaster.

-- The Act increased the minimum dairy support price on manufacturing milk to 80 percent of parity for the balance of the 1973 marketing year and for the 1974 marketing year, which ends March 31, 1975. The suspension of support for butterfat is continued.

The Act extended the National Wool Act, and continued the dairy and beekeepers indemnity programs.

THE WHEAT PROGRAM: The voluntary wheat program provides for loans and purchases and sets forth established (or target) prices of $2.05 per bushel for the 1974 and 1975 crop years, with this established price adjusted for 1976 and again for 1977 on the basis of cost of production change measured by USDA's cost of production index, further adjusted by the productivity change as measured by the national average yield for the preceding three years, compared with the yield of the three years previous

to the preceding year (i.e., for the 1976 crop, the 1973-75 average yield will be compared with the 1972-74 average yield). The wheat marketing certificate program was terminated.

Loans: Nonrecourse loans will be available to participating farmers at a national average level not less than $1.37 per bushel and not more than 100 percent of parity, determined by the Secretary to be appropriate, taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the loan level for feed grains.

County loan rates are established to reflect the national average, adjusted by premiums or discounts for quality, and other factors specified in program provisions.

Loans through ASC county offices are usually available from harvest time through March 31 in most States, and through April 30 in Idaho, Minnesota, Montana, North Dakota, Oregon, Washington, and Wyoming. Loans usually mature one month after the final loan availability date.

Purchases: Wheat may be purchased by CCC from eligible producers on the loan maturity date at the county basic loan rate, adjusted by premiums or discounts for quality, and other factors specified in program provisions.

Disaster Payments: These were described on page 17.

Cropland Set-Aside: If a set-aside of cropland is in effect, then as a condition of eligibility for loan, purchases, and payments as authorized, the producers on a farm must set aside and devote to approved conservation uses an acreage of cropland equal to a specified percentage of the wheat allotment for the farm as designated by the Secretary.

If a cropland set-aside provision is in effect for any crop year, the Secretary shall permit producers to plant and graze sweet sorghum on set-aside acreage, and may permit, subject to such terms and conditions he may prescribe, all or any of the set-aside acreage to be devoted to hay and grazing, or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, oats, rye, or other commodity, if he determines that such production is needed to provide an adequate supply, is not likely to increase the cost of the price support program, and will not adversely affect farm income.

If a farm has at least 55 percent of total farm cropland in summer fallow, and a set-aside provision is in effect, the farm will be considered to have met the set-aside of the domestic allotment requirement.

Cost-sharing for the control of erosion, insects, weeds and rodents, or for the establishment of wildlife food plots or habitat on set-aside acreage is authorized.

THE FEED GRAIN PROGRAM: The voluntary feed grain program under the 1973 Act provides for loans and purchases on corn, barley, oats, grain sorghum and, as designated by the Secretary, barley. It also sets forth established (or target) prices for corn of $1.38 per bushel for the 1974 and 1975 crops, with this established price adjusted for 1976 and again for 1977 on the basis of cost of production change measured by USDA's cost of production index, further adjusted by the productivity change as measured by the national average yield for the preceding three years, compared with the yield of the three years previous to the preceding year (i.e., for the 1976 crop, the 1973-75 average yield will be compared with the 1972-74 average yield). The target prices for grain sorghum and barley will be at a rate that the Secretary determines fair and reasonable in relation to that for corn.

Loans: Nonrecourse loans will be made available to eligible producers of corn at a level, not less than $1.10 per bushel nor more than 90 percent of the parity price, that the Secretary determines will encourage the exports of feed grains and not result in excessive total U.S. feed grain stocks.

The loan rate for grain sorghum is to be at a level the Secretary determines is fair and reasonable in relation to that of corn, taking into consideration the feeding value and average transportation cost to market of grain sorghum in relation to corn.

The loan rates for barley, oats and rye are to be at such level the Secretary determines is fair and reasonable in relation to that for corn, taking into consideration the feeding value of each to corn and the other factors set forth in section 401(b) of the Agricultural Act of 1949, as ammended (See page 3).

Loans for corn are available through ASC county offices from harvest time through June 30 of the following year, with the loans usually maturing one month after the final loan availability date.

Loans for grain sorghum are usually available through the county offices from harvest time through March 31 of the following year in designated South Texas counties; through May 31 in designated North Texas counties and Oklahoma, and through June 30 in all other States. Loans usually mature one month after the final loan availability date.

For barley, loans through the county offices are usually available in 10 Western and Northwestern States from harvest time through April 30 of the following year, and through March 31 in all other States. Barley loans usually mature, for the 10 Western and Northwestern States, on May 31 of the year following harvest, and on April 30 for all other States.

Loans for rye are usually available through the county offices until March 31 of the year following harvest and mature on April 30 of the year following harvest.

Loans for oats are usually available through April 30 following harvest in 12 Northern States and through March 31 in other States. Loans mature, for the respective areas, on May 31 and April 30 of the year following harvest.

As with other commodities, the county feed grain loan rates reflect the announced national average loan rate, with the county loan rate also adjusted by premiums and discounts for quality to determine rates for individual producers.

Purchases: Feed grains may be purchased by CCC from eligible producers on the loan maturity date at the county loan rate, adjusted by premiums or discounts for quality, and other provisions under the program.

Disaster Payments: These were described on page 17.

Cropland Set-Aside: If a set-aside of cropland is in effect, then as a condition of eligibility for loan, purchases and payments as authorized, the producers on a farm must set aside and devote to approved conservation uses an acreage of cropland equal to a specified percentage of the feed grain allotment for the farm as designated by the Secretary.

If a cropland set-aside provision is in effect for any crop year, the Secretary shall permit producers to plant and graze sweet sorghum on set-aside acreage, and may permit, subject to such terms and conditions he may prescribe, all or any of the set-aside acreage to be devoted to hay and grazing, or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, oats, rye, or other commodity, if he determines that such production is needed to provide an adequate supply, is not likely to increase the cost of the price support program, and will not adversely affect farm income.

If a farm has at least 55 percent of total farm cropland in summer fallow, and a set-aside provision is in effect, the farm will be considered to have met the set-aside of the domestic allotment requirement.

Cost-sharing for the control of erosion, insects, weeds and rodents, or for the establishment of wildlife food plots or habitat on set-aside acreage is authorized.

THE UPLAND COTTON PROGRAM: The voluntary upland cotton program under the 1973 Act provides for loans and sets forth established (or target) prices for upland cotton of 38 cents per pound for the 1974 and 1975 crops, with this established price adjusted for 1976 and again for 1977 on the basis of cost of production change measured by USDA's cost of production index, further adjusted by the productivity changes as measured by the national average yield for the preceding three years, compared with the yield of the three years previous to the preceding year.

Loans: The national average loan rate per pound for Middling 1-inch upland cotton (micronaire 3.5 through 4.9), net weight, at average location in the U.S. is established to reflect 90 percent of the average price of American cotton in world markets for the preceding three year period.

A preliminary loan rate is announced not later than November 1 of the calendar year preceding the marketing year for the crop. An evaluation of world prices will be made before the beginning of the particular crop's marketing year (August 1). If it is determined that the then current level of average world prices for American cotton is lower than the announced preliminary rate, the loan rate will be adjusted downward to 90 percent of the then current level of average world prices.

Loans available to program participants for different individual qualities will be based on the Middling 1-inch rate, after adjustment to the quality Strict Low Middling 1-1/16 inches -- the new base quality adopted for spot and futures price quotation purposes.

The term of the loan will be 10 months from the first day of the month in which the loan is made. Loan amounts will be reduced for any unpaid storage charges in excess of 60 days.

Disaster Payments: These were described on page 17.

Cropland Set-Aside: If in effect, generally the same provisions as for the wheat and feed grain programs.

THE DAIRY PROGRAM: The price of milk shall be supported at such level between 75 and 90 percent of parity (except that the minimum level was set by the 1973 Act at 80 percent through the period ending March 31, 1975) as the Secretary determines necessary to assure an adequate supply of pure and wholesome milk to meet current needs, reflect changes in the cost of production, and assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs. Price support shall be provided through purchases of milk and the products of milk.

Before the beginning of each marketing year (April 1), the Secretary announces the support price for manufacturing milk applicable for the marketing year. The announced price will be raised if necessary to assure an adequate supply of milk or to reflect at least the minimum percentage of the parity equivalent for manufacturing milk, but may not be lowered during the year.

At the same time, an announcement is made of the prices that CCC will pay for bulk butter, cheese and nonfat dry milk throughout the marketing year from manufacturers and handlers. The purchases maintain market prices of dairy products at levels which enable cooperatives and dairy processing plants to buy milk from farmers at prices which will reflect, on the average, the announced support level.

In addition to its purchases of bulk dairy products at announced prices, CCC buys substantial quantities of these products in special forms and in consumer-size packages through competitive bids. These products are used in the various food distribution programs. Purchases of such dairy products are at prices which reflect the announced support price for manufacturing milk plus a reasonable allowance for additional packaging and processing costs.

CCC purchases dairy products through the ASCS Minneapolis Commodity Office.

THE WOOL AND MOHAIR PROGRAM: The National Wool Act of 1954, as amended, provides that support of the prices for wool and mohair be carried out through payments to producers.

The 1973 Act continues through the marketing year ending December 31, 1977 the support price for shorn wool at 72 cents per pound, grease basis, and the support price for mohair at 80.2 cents per pound, grease basis.

The program is designed, through the use of annual payments, to support the returns to producers from wool and mohair.

The total amount of payments under the program is limited to 70 percent of the accumulated totals of duties collected on imports of wool and wool manufactures.

THE SUGAR PROGRAM: The Sugar Act of 1948, as amended, has a threefold purpose: (1) to make it possible to produce a substantial amount of our sugar requirements within the United States by protecting the welfare of all segments of the domestic industry, (2) to assure consumers of a plentiful and stable supply of sugar at reasonable prices, and (3) to permit friendly foreign countries to participate equitably in supplying our market. These purposes are accomplished by: (1) setting sugar requirements at a level which will insure adequate supplies and achieve the Act's price objective, (2) establishing foreign and domestic area quotas commensurate with those requirements, (3) establishing processor marketing allotments and grower acreage allotments when necessary to assure market stability, (4) making payments to growers, and (5) assuring equitable division of the sugar dollar by setting minimum prices processor-producers must pay other producers and minimum wages producers must pay workers. The Sugar Act expires December 31, 1974, unless extended.